

21 MAY 1948

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## GENERAL

1. UK opposes outside aid to Palestine belligerents--According to US Ambassador Douglas, the UK Foreign Office believes that Arab and Jewish forces are so evenly matched in Palestine that a stalemate is in prospect. The British therefore feel that the "surest way" to prolong the Palestine fighting is for an outside power to disturb the balance by supplying arms and equipment to one side. Douglas adds that British officials hold these views so strongly that the Government is likely to counterbalance the dispatch of material aid to one side with comparable aid to the other side.
2. Austrian treaty talks to be suspended--The US delegation to the Austrian treaty discussions reports that delegates of the US, the UK, and France have agreed upon a formula for a suspension of these discussions without formal adjournment. Both the UK and France prefer to leave the door open for resumption of negotiations at a later date if the USSR shows itself willing to give satisfactory assurances concerning the Austrian frontiers and reparations issues.
3. French bread ration to be increased--The Department of State has informed US Embassy Paris that the US is prepared to send an advance shipment of three cargoes of wheat within the first ten days of July to enable the French to increase the bread ration to 250 grams on 1 June. The Department considers that an increase in rations so soon after US enactment of European recovery legislation will be excellent evidence of effective international cooperation.

(CIA Comment: An early announcement by Premier Schuman of the new ration, coming at a time of seasonal food scarcity, will result in a considerable increase of public confidence in the Government.)

DOS review completed

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## EUROPE

4. USSR: Soviet propaganda assumes defensive tone--US  
Embassy Moscow believes that the "hurried and petulant tone" of the latest TASS communique on the Smith-Molotov exchange is a "tribute to the firm stand" of the Department of State and "the quick adept handling of the Stalin letter." The Embassy thinks that Soviet silence on Secretary Marshall's remarks and the Department's "pointed analysis" of the issues involved in the exchange are likely to raise some question in the minds of the more intelligent Soviet citizens. The Embassy further believes that US willingness to fight back may have brought to an end the high level portion of the Soviet propaganda campaign following the Smith-Molotov conversations.

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